

**CASTLERIGG MASTER INVESTMENTS LTD.**

May 11, 2007

**VIA E-MAIL**  
**VIA CERTIFIED MAIL**  
**VIA TELECOPIER**

Apollo Resources International, Inc.  
3001 Knox Street, Suite 403,  
Dallas, Texas 75205  
Attention: Chief Executive Officer

**Re: Event of Default Redemption Notice**

Ladies and Gentlemen:

Reference is hereby made to (i) that certain \$8,296,752 in principal amount senior secured convertible note (the "**Note**") issued by Apollo Resources International, Inc., a Utah corporation (the "**Company**") to Castlerigg Master Investments Ltd. (the "**Investor**") on December 29, 2006, (ii) that certain Amendment Agreement, dated December 29, 2006, by and among the Company and the Investor (the "**Amendment Agreement**"), (iii) that certain Securities Purchase Agreement, dated as of July 25, 2006, by and among the Company and the Investor (as amended by the Amendment Agreement, the "**Securities Purchase Agreement**") and (iv) that certain Registration Rights Agreement, dated as of July 25, 2006, by and among the Company and the Investor (as amended by the Amendment Agreement, the "**Registration Rights Agreement**"). Capitalized terms not defined herein shall have the meaning as set forth in the Amendment Agreement.

On December 29, 2006, the Company and the Investor entered into the Amendment Agreement, whereby the Company issued the Note to the Investor in exchange for (i) 13,157,895 shares of common stock, par value \$0.001 per share, of the Company (the "**Common Stock**") and related warrants of the Company purchased by the Investor on July 25, 2006 and (ii) the Company's obligation to pay \$244,120 in accrued and unpaid Registration Delay Payments due to the Investor during the period commencing on the Filing Deadline (as defined below) and ending on December 29, 2006 (the "**Capitalized Registration Delay Payments**").

In accordance with the terms and conditions of the Registration Rights Agreement, the Company agreed to use its best efforts to cause the Registration Statement to be filed with the SEC by no later than October 24, 2006 (the "**Filing Deadline**") and to be declared effective with the SEC by no later than January 22, 2007 (the "**Effectiveness Deadline**"). Under Section 2(f) of the Registration Rights Agreement, the Company agreed to make Registration Delay Payments to the extent the Registration Statement was not filed with the SEC by the Filing Deadline or declared

May 11, 2007  
Page 2

effective with the SEC by the Effectiveness Deadline. As the Company has failed to cause the Registration Statement to be filed with the SEC by the Filing Deadline and declared effective with the SEC by the Effectiveness Deadline (the "**Effectiveness Failure**"), on the Filing Deadline the Company became obligated, to pay Registration Delay Payments in accordance with the terms of Section 2(f) of the Registration Rights Agreement to the Investor. As of the date of this letter, the Company has not paid any Registration Delay Payments to the Investor other than the Capitalized Registration Delay Payments.

The Company's failure to pay Registration Delay Payments to the Investor within ten (10) Business Days after January 22, 2007 (and each subsequent thirty day period thereafter when additional Registration Delay Payments became due and payable), as required by Section 2(f) of the Registration Rights Agreement, constitutes an Event of Default, effective as of February 6, 2007, under Section 4(a)(v) of the Note.

Also, pursuant to Section 4(a)(i) of the Note, as more than sixty (60) days have passed since January 22, 2007, the date of the Effectiveness Failure, as of March 23, 2007, an Event of Default has occurred and is continuing.

Furthermore, as the Company failed to pay both Interest (as defined in the Note) and the Installment Amount (as defined in the Note) due to the Investor on March 31, 2007 pursuant to Section 2 of the Note, and such failure has continued for more than ten (10) Trading Days, an Event of Default has occurred and is continuing pursuant to Section 4(a)(v) of the Note.

Additionally, as the Company was removed from the OTC Bulletin Board on April 27, 2007 and has not been listed on any Eligible Market (as defined in the Note) for more than five (5) consecutive Trading Days, an Event of Default has occurred and is continuing pursuant to Section 4(a)(ii) of the Note.

As a result of the occurrence of the above mentioned Events of Default, the undersigned hereby notifies the Company of its election to exercise its redemption right pursuant to Section 4(b) of the Note and hereby submits this Event of Default Redemption Notice. The undersigned hereby elects to redeem the entire Note in full at the Event of Default Redemption Price of \$9,151,759. The Company shall pay to the undersigned Holder the Event of Default Redemption Price within five (5) Business Days from the receipt of this Event of Default Redemption Notice pursuant to Section 11(a) of the Note. For purposes of calculating the Event of Default Redemption Price, (x) the applicable Interest Rate shall be 15.0% for the period commencing on February 6, 2007 and through the date of payment of the Event of Default Redemption Price, as set forth in Section 2 of the Note and (y) in accordance with Section 23(b) of the Note, additional Late Charges with respect to the accrued and unpaid Interest, Installment Amount and Registration Delay Payments as of the date of this letter have accrued at the rate of 18% per annum.

This letter is without prejudice to the undersigned, and the undersigned fully and specifically reserves any and all rights, powers, privileges and remedies under

May 11, 2007  
Page 3

the Transaction Documents. Nothing herein shall be construed to suggest that there are not currently existing other Events of Default, and the undersigned reserves all of its rights with respect to any such Events of Default.

This letter shall not entitle the Company or any other party to further notice or demand.

Sincerely yours,

Castlerigg Master Investments Ltd.

By: Sandell Asset Management Corp.

By: 

Name: Timothy O'Brien

Title: Chief Financial Officer

Address:

c/o Sandell Asset Management

40 West 57th Street

26th Floor

New York, NY 10019

cc: Eleazer Klein, Esq, Schulte Roth & Zabel LLP  
Roger A. Crabb, Esq., Scheef & Stone, LLP